



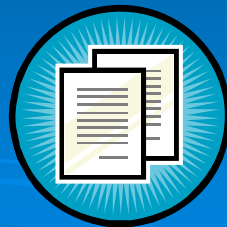
# SC Office of Regulatory Staff Audit Department

## RATE APPLICATIONS & AUDIT PROCEDURES

SHARON G. SCOTT, AUDIT MANAGER  
WATER AND WASTEWATER

# Application for a Rate Increase

According to the South Carolina Code of Regulations Chapter 103 Section 512.4 and 712.4, when a utility makes an application for an increase in existing rates and charges, such application shall not be accepted for filing unless it contains the following information:



# AUDIT RATE APPLICATION REQUIREMENTS



- 1) A statement of reason justifying the need for the proposed rate adjustments;
- 2) Current income and expense statement for the preceding twelve months;
- 3) Proposed rate schedule;
- 4) Test year proposed to be used;
- 5) Pro-forma income and expense statement using proposed rates applied to proposed test year;

# AUDIT RATE APPLICATION REQUIREMENTS



- 6) Balance sheet;
- 7) Depreciation schedule by categories of plant or average service lives;
- 8) Number of present and expected customers in the following twelve months;
- 9) Cost justifications for proposed rates and charges, including tap fees, with attached schedules depicting labor costs, materials costs, and miscellaneous costs;

# AUDIT RATE APPLICATION REQUIREMENTS



- 10) Filing or updating of performance bond in accordance with 3 of this rule;
- 11) Current or updated service area map;
- 12) **Statement of total plant investment;**
- 13) Most recent letter of approval from the Department of Health and Environmental Control;
- 14) Customer bill form; and
- 15) **Any other pertinent or relevant information determined necessary by the Commission.**



# AUDIT NEEDS (3)

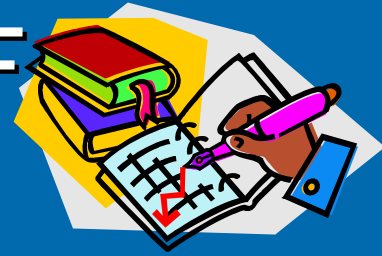


➤ ADEQUATE RECORDS

➤ VERIFICATION OF APPLICATION

➤ PROPER DOCUMENTATION

# UNIFORM SYSTEM OF ACCOUNTS



- Required pursuant to 26 SC Code Regs. 103-517 and 103-719
- Uniform System of Accounts (USOA) developed by National Association of Regulatory Utility Commissioners (NARUC)
- Class A,B, & C Water and Wastewater Utilities
  - Class A: Revenues of \$1,000,000 and more
  - Class B: Revenues of \$200,000 to \$999,999, and
  - Class C: Revenues less than \$200,000
- Includes Index of Accounts, Definitions, Accounting Instructions, and Descriptions of Balance Sheet, Utility Plant, Income, Retained Earnings, Revenue, Operation and Maintenance Accounts
- Obtain professional help if needed
- Same accounts as Water/Wastewater Annual Report Form
- Order USOA from [www.naruc.org](http://www.naruc.org)

# ACCOUNTING BOOKS AND RECORDS



- GENERAL LEDGER BY ACCOUNT
- CONTINUING PROPERTY RECORDS
- INCOME TAX RETURNS
- PAYROLL RECORDS
- INVOICE SYSTEM
- AFFILIATED TRANSACTIONS





# VERIFICATION OF COMPANY'S APPLICATION

- Verify Income Statement, Balance Sheet and Rate Base to Company's Books and Records
- Sample of Expense Accounts
- Verification of Company Proposed Adjustments



# DOCUMENT! DOCUMENT!

## ➤ Invoices

- Company Name, Amounts, Description, Allocation for Affiliated Transactions
- Credit Card Payments

## ➤ Proposed Adjustments

- Invoices, computations, allocations, etc.
- Up-to-date information
- May require additional testing



# TIMELY AND EFFICIENT AUDITS

- ORIENTATION MEETING BETWEEN  
ORS AND COMPANY
- PRE-AUDIT WORK
- TIMELY RESPONSES TO DATA  
REQUESTS
- TRANSFERS OF ELECTRONIC DATA  
TO FACILITATE AUDIT
- GATHER PERTINENT INFORMATION  
DURING FIELD AUDIT



# AUDIT ASSISTANCE FOR WATER/WASTEWATER



- Jay Jashinsky, Director of Auditing,  
803-737-1984
- Malini Gandhi, Deputy Director of Auditing,  
803-737-0409
- Sharon Scott, Audit Manager,  
803-737-0964

# Helpful Websites

- ORS - [www.regulatorystaff.sc.gov/](http://www.regulatorystaff.sc.gov/)
- PSC - [www.psc.sc.gov/](http://www.psc.sc.gov/)
  - Rules and Regulations  
[www.psc.sc.gov/laws/regulations.asp](http://www.psc.sc.gov/laws/regulations.asp)
- NARUC – [www.naruc.org](http://www.naruc.org) (to order a uniform system of accounts)

